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## THE FINANCIAL SITUATION.

The outlook for the crops continues to  
be good that the operation of picking  
is it is forced to busy itself with matters  
of detail that at ordinary times would be  
considered altogether too small for notice.  
There is a little too much rain here, not  
quite rain enough there, a little colder  
weather in one place than is wanted, and  
so on; but nowhere is there any complaint  
of broad damage or any story of general  
conditions that is other than very favorable.  
And when that can be said of the crops at  
this time of year the fact is sufficient to give  
a firm tone to the stock market as would,  
undoubtedly, if other circumstances per-  
mitted, result in an active speculation for  
the rise. The winter wheat harvest is  
clearly turning out better than was ex-  
pected, all trustworthy reports from the  
spring wheat crop are that conditions  
there were never better at this time of  
year, nothing has happened yet to mar  
the promise of the largest cotton crop  
that has ever been reaped in our country,  
and in the cornfields the plant, though its  
growth is backward, has what is called a  
deep root and a "good stand," and is ex-  
pected to flourish under hot weather in  
due season. The moisture that the corn  
has recently received is good for it. As  
much of evil character as can be predicated  
against the crops in general is, perhaps,  
comprised in the allegation that it is a late  
season. But to those who have good memo-  
ries of June weather in this country, the  
present temperatures are they are averaging  
do not seem chilly. Though hot weather in  
June is normally experienced at intervals in  
the month, the period is not apt to be  
a month of summer heat; and the course  
of the thermometer thus far in the month  
indicates, if anything, that we shall have  
all the hot weather we want before the sum-  
mer is over, and that the corn crop is far  
more known in the former year as far  
temperatures than with low ones. One matter  
that is coming to assume a good deal of im-  
portance is the poor crop outlook in grain  
producing lands in other quarters of the  
world. In Argentina the present export  
calculation is that the surplus of exportable  
grain there will be considerably less than  
it was last year. In the south of Russia  
and through Hungary, Rumania, and  
southern Europe there is great anxiety  
that has seriously cut down the harvest  
prospects; the Italian, Spanish and Swedish  
wheat crops are all said to be short; and  
this has led to a perceptible nervousness  
on the part of the Liverpool grain import-  
ers. The statistical condition of our own  
grain supply is, as has been often remarked  
in this column, almost as strong as it was  
in 1898; and while no such corner operation  
as was known in the former year is grain  
probable, it is very unlikely that except  
in the case of corn any considerable dimi-  
nution in the present price of grain is pos-  
sible, even if our spring wheat crop  
should turn out to be a bumper one. In  
the case of cotton, too, the small stock of  
the staple in the world's storehouse is a  
reasonable assurance against anything  
that can be called a poor price. In this  
year, even the Southern planters do  
produce the greatest cotton crop on  
record. Full crops at full prices for the  
American farmers! No wonder Wall Street  
is picking up heart at the vista.The security market has, as everybody  
now perceives, been a slowly hardening  
market ever since the middle of April,  
disturbing a great many speculators that  
it did not go faster, but holding exactly as  
a solid stock market should in the spring  
months of a Presidential year. It will be  
interesting to observe for a moment the  
course taken by security prices since the sell-  
ing movement of last year reached its low  
point on Sept. 8. There was, then following,  
a rally which culminated in January of the  
present year, a succeeding quick depression  
which ended in February, a rally in March  
again, a fall in April, and now the present  
upward trend. Prices are not now quite as  
high as they were in the first sharp recovery  
after the great liquidation last fall; but  
each "low point" touched since then has  
been higher than the one preceding, and  
the general statement holds that since last  
fall prices have shown a tendency to  
advance rather than to recede. Considering  
the lapse of time that has passed, it  
must be admitted that this testifies strongly  
to the fact that the market is no longer of  
a liquidating character. A further technical  
subject of equal importance is the still un-  
covered short interest in the market that  
has accumulated. There is a popular notion  
to the effect that this short interest has been  
largely eliminated; and it is true that the  
borrowing of each day in the usual  
open and public manner after the close of  
the Stock Exchange session does not indi-  
cate that a large short account is outstanding.  
But there are reasons of substantial and  
valid nature for believing that an old speculator  
for the decline is still open on a very  
large scale, chief among these reasons being  
the knowledge, that has been conveyed  
necessarily to but few people, of the blocks  
of stocks that certain houses in Wall Street  
are lending privately to speculative borrowers.  
That borrowing of this character and  
extent is carried on has been often denied,  
but it is carried on, nevertheless, and, more-  
over, its existence is wholly natural. There  
is in the financial community a numer-  
ous class of men, not all of them by any  
means professional speculators, and  
many of them possessing large means and  
experience, who hold steadfastly to the  
faith that the only way in which such a  
great speculation for the rise as that which  
culminated in August, 1902, can end is by  
a financial panic equally as great, accom-  
panied by the time honored incidents of  
failures, issuance of Clearing House certificates,  
and of all the horrors of such a  
catastrophe; all the things followed by a  
prolonged period of extreme business  
depression in which one commercial and  
industrial disaster after another shall spread  
and hard times throughout the land.  
The basis of this belief is, of course, simply  
the fact that in the past large liquidating  
movements in the stock market have often  
assumed the form described. It seems of  
little avail to point out to those who reason  
in this way that our country is now in a  
different position from that in which it was  
ended last September was greater than has  
been the case in many of the old-fashioned  
panics; or that by reason of the exceeding  
increase in the production of gold which  
has made every international and even  
domestic financial center strong in cash,  
of the freedom which we enjoy from trou-  
bling questions of a financial or economic  
nature, of the fact that our country is now  
barely, if at all, a debtor nation, and because  
of the exceptionally prosperous state of  
our farming population as compared with  
their extreme poverty in preceding years,  
it is now wholly improbable that the after-  
math of the stock market liquidation that  
has occurred will be of any such drastic  
character as was formerly known. In other  
words, there are a large number of people  
who are still stubbornly and persistently  
bearish in their market position, and those  
who believe that the views thus entertained  
are utterly nonsensical are not, nevertheless,  
sorry that such opinions obtain, for they  
know that buying for the account of this  
short interest must sooner or later lend its  
impetus to prices.The political convention held at Chicago  
last week exercised, of course, not theslightest influence upon the stock market,  
nor, indeed, did it seem as if anything else  
figured considerably in the market one way  
or another. There were two or three an-  
nouncements that would undoubtedly be  
considered bad news at ordinary times,  
but they did not halt for a moment the  
slow, ponderous upward creeping of  
prices. Two or three small banking or-  
ganizations in the eastern part of the country  
closed their doors; but of what possible  
adverse bearing was it upon the general  
credit situation? The Metropolitan Street  
Railway Company's statement for the  
March quarter showed the effect of the  
hard winter upon the surface transporta-  
tion business, but the winter is long since  
over, and the question of a financial  
nature to which it now chiefly points is  
whether much of the recent decrease in rail-  
way earnings in general has not been due  
to an exceptional cause, not likely to be  
repeated. Thus the stock market  
considered these things, giving its attention  
more freely to thought of the better  
retail trade in our own city, to the large  
orders sent in from the West in nearly all  
lines of business on account of the over-  
fulness dispersed there by the crop out-  
look and to the really surprising in-  
crease in railway earnings as reported thus  
far in the present month. If this increase  
in earnings continues, a bullish effect  
in the stock market seems almost certain.  
Only one thing, indeed, is nearer a cer-  
tainty, and that is that the steel in-  
dustry is ahead of us in the coming  
year, the stock market will not wait for  
those times to actually arrive before it  
begins to reap in anticipation some of the  
benefits of their visit. Confidence and  
fear, both of them, are expressed in prices  
in Wall Street long before developments  
which logically and publicly justify them  
are made known. The rise in the price  
of steel investment securities, which has  
culminated in a really exhilarated bond  
market and has put the price of high grade  
bonds to a point where they cannot much  
longer tempt purchasers, does not suggest  
that it is fear that is holding the public's  
purse strings; and so far as stocks are con-  
cerned, there are manifest signs of accumu-  
lation, or, as Wall Street likes to call it,  
"absorption" of certain issues, at least.  
It is said that our Western friends, whose  
market operations are generally determined  
by their views as to the season's harvests,  
are steadily buying the leading granger  
stocks, principally Atchison; but it is some  
other force than that of mere casual specu-  
lation that has advanced and is advancing  
the prices of Union Pacific and Southern  
Pacific; and the Steel stocks indicate some-  
thing more than a cursory operation on  
the part of important investors that while  
the steel business may drag for some months  
yet, it will move at a livelier pace not so  
far away in the future, and that in the  
meantime Steel preferred can and will  
continue to pay its dividends.

DANIEL F. KELLOGG.

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